



ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)

SECOND QUARTER AND FIRST HALF-YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the second quarter and first half-year ended 30 June 2014

Consolidated income statement

(All figures in S\$'000)	Group			Group		
	2Q14	2Q13	% Increase/ (Decrease)	1H14	1H13	% Increase/ (Decrease)
Revenue	190,789	126,210	51%	389,959	229,035	70%
Cost of sales	(159,116)	(111,189)	43%	(324,667)	(198,272)	64%
Gross profit	31,673	15,021		65,292	30,763	
	17%	12%		17%	13%	
Other income	817	1,603	(49%)	1,608	2,728	(41%)
Selling and marketing costs	(205)	(325)	(37%)	(319)	(614)	(48%)
Administrative costs	(15,206)	(12,387)	23%	(29,476)	(22,500)	31%
Other operating costs	(3,833)	(4,097)	(6%)	(7,039)	(7,805)	(10%)
Finance costs	(251)	(312)	(20%)	(537)	(775)	(31%)
Share of results from associated companies	128	626	(80%)	(142)	63	NM
Profit before tax	13,123	129		29,387	1,860	
Taxation	(1,810)	(1,510)	20%	(4,409)	(2,370)	86%
Profit/(Loss) after tax	11,313	(1,381)		24,978	(510)	
Profit/(Loss) attributable to:						
Owners of the company	13,055	5,114	NM	27,409	7,638	NM
Non-controlling interests	(1,742)	(6,495)	73%	(2,431)	(8,148)	70%
	11,313	(1,381)		24,978	(510)	

* NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	2Q14	2Q13	% Increase/ (Decrease)	1H14	1H13	% Increase/ (Decrease)
Profit/(loss) after tax	11,313	(1,381)		24,978	(510)	
Other comprehensive income/(loss)						
Net fair value loss on available-for-sale financial assets	-	(2,549)	NM	-	(15)	NM
Net fair value gain on cash flow hedges	54	-	NM	242	-	NM
Foreign currency translation movement	(52)	(5,310)	(99%)	(399)	(6,271)	(94%)
Other comprehensive income/(loss) for the period	2	(7,859)		(157)	(6,286)	
Total comprehensive income/(loss) for the period	11,315	(9,240)		24,821	(6,796)	
Total comprehensive income attributable to:						
Owners of the company	11,854	(608)	NM	25,508	4,799	NM
Non-controlling interests	(539)	(8,632)	94%	(687)	(11,595)	94%
	11,315	(9,240)		24,821	(6,796)	

* NM denotes Not Meaningful

Profit after tax is stated after (charging)/crediting the following items:

	Group		Group	
	2Q14	2Q13	1H14	1H13
(a) Other income				
Investment income	-	108	-	108
Interest income	157	188	323	378
Gain/(Loss) on disposal of property, plant and equipment	-	2	(93)	19
(b) Administrative costs				
Foreign exchange (loss)/gain	(1,427)	806	(1,553)	1,088
Unrealised fair value gain/(loss) on foreign currency contracts	888	(691)	1,118	(1,250)
(c) Other operating costs				
Allowance for doubtful debts	(178)	(107)	(178)	(83)
Amortisation of intangible assets	(360)	(332)	(689)	(639)
Depreciation of property, plant and equipment	(2,884)	(3,565)	(5,745)	(6,984)
Inventories written down	(11)	(93)	(27)	(99)
(d) Finance costs				
Amortisation of prepaid loan appraisal fees	(54)	(55)	(110)	(109)
Interest expense	(197)	(257)	(427)	(666)

1(b)(i). A statement of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

(All figures in S\$'000)

	Group		Company	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
Non-current assets				
Property, plant and equipment	50,126	53,730	8,966	8,880
Intangible assets	1,735	2,074	1,391	1,874
Investments				
Subsidiary companies	-	-	52,020	56,759
Associated companies	2,609	3,529	5,963	5,963
Others	896	896	895	895
Deferred tax assets	490	498	-	-
Other receivables	8,538	8,538	8,538	8,538
Prepaid loan appraisal fees	419	533	-	-
Current assets				
Gross amount due from customers for contract work-in-progress*	23,211	41,778	18,267	15
Inventories	5,849	3,287	1,595	704
Prepaid operating expenses	1,614	312	1,178	164
Downpayments made to suppliers	9,226	15,620	4,535	7,545
Trade and other receivables*	144,554	144,914	148,093	137,003
Foreign currency contracts	1,067	234	1,067	234
Cash and short-term deposits	213,942	193,725	88,562	107,158
	399,463	399,870	263,297	252,823
Current liabilities				
Income tax payable	15,604	15,636	4,419	4,115
Loans and borrowings	39,359	50,202	-	10,133
Gross amount due to customers for contract work-in-progress*	106,826	93,195	56,916	64,145
Trade and other payables	140,578	141,871	135,054	102,781
Downpayments from customers	35,579	58,487	27,317	39,682
Foreign currency contracts	18	545	18	545
	337,964	359,936	223,724	221,401
Net current assets	61,499	39,934	39,573	31,422
Non-current liabilities				
Deferred tax liabilities	2,223	1,795	1,369	1,155
Loans and borrowings	9,407	9,563	-	-
	11,630	11,358	1,369	1,155
Net assets	114,682	98,374	115,977	113,176
Equity attributable to owners of the company				
Share capital	89,365	89,365	89,365	89,365
Treasury shares	(161)	(161)	(161)	(161)
Retained earnings	143,063	124,167	26,464	23,905
Other reserves	(4,094)	(2,193)	309	67
	228,173	211,178	115,977	113,176
Non-controlling interests	(113,491)	(112,804)	-	-
Total equity	114,682	98,374	115,977	113,176

*Prior year's figures have been reclassified to conform with current period's presentation. Accrued revenue in prior year was reclassified from "Trade and other receivables" to "Gross amounts due from/(to) customers for contract work-in-progress". The above reclassification has no impact to net current assets and net assets.

1(b)(ii). Aggregate amount Group's borrowings and debt securities.

(All figures in S\$'000 unless stated)

Amount repayable in one year or less, or on demand

30-Jun-14		31-Dec-13	
Secured	Unsecured	Secured	Unsecured
39,359	-	40,069	10,133

Amount repayable after one year

30-Jun-14		31-Dec-13	
Secured	Unsecured	Secured	Unsecured
9,407	-	9,563	-

Details of any collateral

Collateral for \$48.8 million (31 December 2013: \$49.6 million) loan of a subsidiary includes mortgage over property, plant and equipment of the subsidiary, pledged deposits and shareholders' guarantees.

1(c). A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(All figures in S\$'000)	Group		Group	
	2Q14	2Q13	1H14	1H13
Operating activities				
Profit before tax	13,123	129	29,387	1,860
Adjustments for :				
Allowance for doubtful debts	178	107	178	83
Amortisation of intangible assets	360	332	689	639
Amortisation of prepaid loan appraisal fees	54	55	110	109
Depreciation of property, plant and equipment	2,884	3,565	5,745	6,984
Dividends from quoted investments	-	(108)	-	(108)
(Gain)/Loss on disposal of property, plant and equipment	-	(2)	93	(19)
Interest expense	197	257	427	666
Interest income	(157)	(188)	(323)	(378)
Inventories written down	11	93	27	99
Unrealised fair value (gain)/loss on foreign currency contracts, net	(888)	691	(1,118)	1,250
Share of results from associated companies	(128)	(626)	142	(63)
Operating cash flows before changes in working capital	15,634	4,305	35,357	11,122
Decrease/(Increase) in prepaid operating expenses, downpayments made to suppliers and receivables	20,658	(35,707)	(2,594)	(46,629)
Increase in inventories	(1,880)	(12)	(2,596)	(330)
Increase in gross amount due to customers for contract work-in-progress, net	13,801	18,971	32,546	15,465
(Decrease)/Increase in payables	(19,555)	(5,351)	(19,806)	42,651
Cash flows from/(used in) operations	28,658	(17,794)	42,907	22,279
Interest received	83	78	171	175
Interest paid	(197)	(257)	(427)	(666)
Income tax paid	(3,825)	(4,402)	(3,966)	(5,869)
Net cash flows from/(used in) operating activities	24,719	(22,375)	38,685	15,919

(All figures in S\$'000)

	Group		Group	
	2Q14	2Q13	1H14	1H13
Investing activities				
Acquisition of shares of associated companies	-	(888)	-	(888)
Additions to intangible assets	(253)	(38)	(349)	(416)
Dividends from associated companies	-	473	-	473
Dividends from quoted investments	-	108	-	108
Proceeds from disposal of subsidiary	4,322	-	4,322	-
Proceeds from disposal of property, plant and equipment	18	55	131	74
Purchase of investment securities	-	(167)	-	(167)
Purchase of property, plant and equipment	(1,612)	(964)	(2,643)	(2,570)
Net cash flows from/(used in) investing activities	2,475	(1,421)	1,461	(3,386)
Financing activities				
Dividends paid by the Company	(8,513)	(2,838)	(8,513)	(2,838)
Increase in pledged fixed deposits	-	-	-	(37,284)
Repayment of bank loans and trade facilities, net	-	(10,012)	(10,263)	(10,526)
Repayment of finance lease obligations	(10)	(10)	(20)	(20)
Net cash flows used in financing activities	(8,523)	(12,860)	(18,796)	(50,668)
Net increase/(decrease) in cash and cash equivalents	18,671	(36,656)	21,350	(38,135)
Effect of exchange rate changes on cash and cash equivalents	(657)	(24)	(583)	991
Cash and cash equivalents at beginning of quarter/period	158,480	163,961	155,727	164,425
Cash and cash equivalents at end of the period	176,494	127,281	176,494	127,281

1(d)(i). A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(All figures in S\$'000)

<u>Group</u>	Attributable to owners of the company										
	Share capital	Treasury shares	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve	Fair value adjustment reserve	Hedging reserve	Total	Non-controlling interests	Total equity
At 1 January 2014	89,365	(161)	124,167	560	300	(3,120)	-	67	211,178	(112,804)	98,374
Total comprehensive income for the period	-	-	14,354	-	-	(888)	-	188	13,654	(148)	13,506
At 31 March 2014	89,365	(161)	138,521	560	300	(4,008)	-	255	224,832	(112,952)	111,880
Total comprehensive income for the period	-	-	13,055	-	-	(1,255)	-	54	11,854	(539)	11,315
Dividends paid	-	-	(8,513)	-	-	-	-	-	(8,513)	-	(8,513)
At 30 June 2014	89,365	(161)	143,063	560	300	(5,263)	-	309	228,173	(113,491)	114,682
At 1 January 2013	89,365	(161)	106,270	86	300	(5,665)	2,490	-	192,685	(82,173)	110,512
Total comprehensive income for the period	-	-	2,524	-	-	349	2,534	-	5,407	(2,963)	2,444
At 31 March 2013	89,365	(161)	108,794	86	300	(5,316)	5,024	-	198,092	(85,136)	112,956
Total comprehensive income for the period	-	-	5,114	-	-	(3,173)	(2,549)	-	(608)	(8,632)	(9,240)
Dividends paid	-	-	(2,838)	-	-	-	-	-	(2,838)	-	(2,838)
At 30 June 2013	89,365	(161)	111,070	86	300	(8,489)	2,475	-	194,646	(93,768)	100,878

Company	Share capital	Treasury shares	Retained earnings	Hedging reserve	Total equity
At 1 January 2014	89,365	(161)	23,905	67	113,176
Total comprehensive income for the period	-	-	290	188	478
At 31 March 2014	89,365	(161)	24,195	255	113,654
Total comprehensive income for the period	-	-	10,782	54	10,836
Dividends paid	-	-	(8,513)	-	(8,513)
At 30 June 2014	89,365	(161)	26,464	309	115,977
At 1 January 2013	89,365	(161)	28,071	-	117,275
Total comprehensive income for the period	-	-	(13,098)	-	(13,098)
At 31 March 2013	89,365	(161)	14,973	-	104,177
Total comprehensive income for the period	-	-	(1,019)	-	(1,019)
Dividends paid	-	-	(2,838)	-	(2,838)
At 30 June 2013	89,365	(161)	11,116	-	100,320

1(d)(ii). Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the share capital of the Company as at 30 June 2014.

As at 30 June 2014, the Company has 336,000 (30 June 2013: 336,000) ordinary shares of the company by way of market purchases on the Singapore Exchange and held them as treasury shares.

1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.

Total number of issued shares, excluding treasury shares, as at 30 June 2014 is 567,518,000 (31 December 2013: 567,518,000).

1(d)(iv). A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Nil.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The company had considered and consistently applied all applicable revised and new Singapore Financial Reporting Standards.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

See point 4 as above.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend.

(In '000 unless stated)

	Group		Group	
	2Q14	2Q13	1H14	1H13
Earnings per ordinary share of the group for the period after deducting any provision for preference dividends:				
Based on weighted average number of ordinary shares in issue (In cents)	2.3	0.9	4.8	1.3
On a fully diluted basis (in cents)	2.3	0.9	4.8	1.3
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	13,055	5,114	27,409	7,638
Weighted average number of ordinary shares applicable to basic and diluted earnings per share	567,518	567,518	567,518	567,518

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the Issuer at the end of the:-

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on

Group		Company	
30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
40.2	37.2	20.4	19.9

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 June 2014 (31 December 2013: 567,518,000).

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

2014 Second Quarter (2Q14) Review

The Group reported a 51% increase in revenue for 2Q14 compared with the same quarter last year. The surge in revenue stemmed from increased business activities as execution of its major projects gained momentum.

The Group achieved an improved gross profit margin of 17% as compared to 12% the same quarter last year. This significant improvement was augmented by the Group's productivity improvement efforts.

Other income decreased due to lower scrap sales. Administrative cost increased in line with revenue. The share of associates' results decreased this quarter because of a one-off gain of \$908,000 recognised in the same quarter last year, due to an associate acquired at a discount to its net tangible assets. Excluding the one-off gain last year, the improvement this quarter is mainly due to increased business activities of our associate in Malaysia and improved results from our waste-to-energy plant. Taxation is in line with profit.

The fair value loss on available-for-sale financial assets recorded in the same quarter last year was related to quoted investment, TRC Construction Public Company Limited, a former associated company listed on the Stock Exchange of Thailand. This investment had been fully disposed by end of last year with a net gain compared to original cost.

Foreign currency translation movement was mainly attributable to the translation of the Group's investments in Thailand, Saudi Arabia and United Arab Emirates.

Non-controlling interests movement mainly relates to the minority share of results of our joint venture company in Saudi Arabia.

Profit attributable to shareholders improved significantly to \$13.1 million this quarter compared to \$5.1 million in the same quarter last year.

2014 First Half (1H14) Review

Revenue for 1H14 improved significantly by 70% compared to the same period last year. The surge in revenue stemmed from increased business activities as execution of its major projects gained momentum in the first half of this year.

The Group achieved an improved gross profit margin of 17% for 1H14 compared to 13% in 1H13. This significant improvement was augmented by the Group's productivity improvement efforts.

Other income declined due to lower scrap sales. Administrative costs increased in line with revenue. The share of associates' results decreased this period because of a one-off gain of \$908,000 recognised in the same period last year, due to an associate acquired at a discount to its net tangible assets. Excluding the one-off gain last year, the improvement this period is mainly due to increased business activities of our associate in Malaysia and improved results from our waste-to-energy plant. Taxation is in line with profit.

Foreign currency translation movement is mainly attributable to the translation of the Group's investments in Thailand, Saudi Arabia and United Arab Emirates.

Non-controlling interests movement mainly relates to the minority share of results of our joint venture company in Saudi Arabia.

Profit attributable to shareholders improved significantly to \$27.4 million compared to \$7.6 million for the same period last year.

Balance Sheet Review

Property, plant and equipment decreased mainly due to depreciation.

- Gross amount due from customers for contract work-in-progress
- Gross amount due to customers for contract work-in-progress

These relate to contract accounting to record revenue and cost on accrual basis. These figures can be reconciled to the trade receivables and trade payables. Gross amount due from customers for contract work-in-progress decreased as a result of higher billings.

Foreign currency contracts increased due to effective hedges taken on our US dollar receivables. Trade and other receivables remained stable despite increase in revenue. Downpayments made to suppliers decreased on execution of on-going projects. Downpayments from customers decreased on execution of on-going projects.

Cash and short-term deposits increased due to better operating results, partially offset by payment of dividends and repayment of loans. Loans and borrowings were lower due to repayments.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

On the back of increased business activities, the Group expects its revenue and profitability to be better than previous financial year.

However, in the longer term, pressures on margins will continue due to the tight foreign labour market in Singapore and keen competition.

At the date of this announcement, the Group's order book stands at \$381 million, of which over 75% is attributed to projects in Singapore. The Group is actively seeking business opportunities through direct negotiations and bidding for projects in ASEAN and Gulf Cooperation Council countries.

Underpinned by a strong balance sheet and cash position, the Group is also seeking other business opportunities that complement its existing activities, so as to expand its sources of incomes and revenues in the longer term.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the financial period ended 30 June 2014.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a shareholders' mandate for interested person transactions.

14. Negative confirmation

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to their attention, which may render the financial results for the period ended 30 June 2014 to be false or misleading.

**BY ORDER OF THE BOARD
TAN CHER LIANG
COMPANY SECRETARY**

6 August 2014